

BUSINESS MEETING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:)
)
Business Meeting)
)
_____)

CALIFORNIA ENERGY COMMISSION
HEARING ROOM A
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

WEDNESDAY, JULY 5, 2006

10:02 A.M.

Reported by:
Peter Petty
Contract Number: 150-04-001

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

Jackalyne Pfannenstiel, Chairperson

Arthur Rosenfeld

John L. Geesman

Jeffrey D. Byron

STAFF and CONSULTANTS PRESENT

Terry O'Brien, for Executive Director

William Chamberlain, Chief Counsel

Jamie Patterson

Haile Bucaneg

Gary Flamm

Martha Brook

Cheri Davis

Robert Worl

Christopher Meyer

Paul Kramer

David Ashuckian

Tom Gorin

PUBLIC ADVISER

Nicholas Bartsch

ALSO PRESENT

Merwin Brown

University of California Office of the President

Scott A. Galati, Attorney

Galati & Blek, LLP

ALSO PRESENT

Jeff Russell
Mirant California, LLC

Fong Wan
Pacific Gas and Electric Company

Ben Eichenberg
San Francisco Baykeeper
California Coastkeeper Alliance

Bradley Daniels
San Francisco Baykeeper
Stanford Environmental Law Clinic

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

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1 P R O C E E D I N G S

2 10:02 a.m.

3 CHAIRPERSON PFANNENSTIEL: Welcome to
4 the Energy Commission business meeting. Please
5 join me in the Pledge of Allegiance.

6 (Whereupon, the Pledge of Allegiance was
7 recited in unison.)

8 CHAIRPERSON PFANNENSTIEL: I have no
9 changes to the agenda as it was posted, so we'll
10 begin with the consent calendar. Is there a
11 motion for the consent calendar?

12 COMMISSIONER ROSENFELD: I move the
13 consent calendar.

14 COMMISSIONER GEESMAN: Second.

15 CHAIRPERSON PFANNENSTIEL: In favor?
16 (Ayes.)

17 CHAIRPERSON PFANNENSTIEL: Thank you.
18 Item number 2, possible approval of PIER work
19 authorization UC-MR-050 for \$300,000 with the
20 Electric Power Research Institute under UC master
21 research agreement number 500-02-004 with the
22 Regents of the University of California.

23 MR. PATTERSON: Good morning,
24 Commissioners.

25 CHAIRPERSON PFANNENSTIEL: Good morning.

1 MR. PATTERSON: I'm Jamie Patterson with
2 the transmission research program, a program under
3 our Public Interest Energy Research program, the
4 PIER program.

5 Today we are bringing forward an item
6 for \$300,000. It's a 24-hour transmission
7 forecasting tool for the California ISO operators.

8 This project has been -- is part of our
9 overall portfolio projects which we anticipate you
10 will be having many more -- be seeing much more of
11 in the next business meeting.

12 To present this project today I'd like
13 to introduce our Director of the transmission
14 research program, Dr. Merwin Brown. He will be
15 presenting this item.

16 DR. BROWN: Thank you, Jamie. Currently
17 the operators of the grid in California do a
18 pretty good job of being able to determine the
19 state of the grid at the moment by using data they
20 collect.

21 They can also anticipate certain
22 happenings in the future and take action, put
23 things in, contingencies in place to see whether
24 to be prepared to handle anything that may happen
25 down the road or attempt to do so, such as losing

1 a transmission line or a power plant or something
2 like that.

3 But currently the operator, as far as
4 anticipating knowing what's going to happen in the
5 future, in the next 24 hours or so, is operating
6 pretty much blindly.

7 So what this project is attempting to go
8 is to use some probabilistic techniques that were
9 developed by Steven Lee, who currently now is
10 working at the Electric Power Research Institute,
11 to develop the prototype of a code, a model that
12 would allow the operator to get some idea of the
13 probability of something that might happen in the
14 next 24 hours or so.

15 This particular model, if it works the
16 way it's supposed to work, would also be able to
17 allow the operator to do what-ifs, particularly
18 with regard to the import of power. This project
19 would, by the end of this summer, or near this --
20 sometime this summer we hope to have the prototype
21 done and be able to have it tested at Cal-ISO.

22 And then roughly over the next year we
23 would put together the functional specifications,
24 get the report written that would allow Cal-ISO
25 then to look for a commercial developer of this

1 particular model.

2 CHAIRPERSON PFANNENSTIEL: Thank you.

3 Any questions from the Commissioners? Discussion?

4 COMMISSIONER GEESMAN: I'll move the
5 item.

6 COMMISSIONER ROSENFELD: Second.

7 COMMISSIONER GEESMAN: As Jamie
8 indicated, this is one in a series of projects
9 that we're likely to be seeing in the months
10 ahead.

11 And I want to compliment the staff in
12 doing such a good job of incorporating a group of
13 pretty diverse stakeholders in the western
14 transmission system to help provide policy input
15 to the program.

16 A few years ago it wasn't clear that we
17 and the utilities, BPA, Cal-ISO, some of the
18 environmental organizations were all on the same
19 page in terms of how to go forward with the
20 transmission R&D program. But the staff has done
21 a very good job of marshaling a group of
22 individuals that are leaders in their area. And
23 then sitting down with them on a regular basis to
24 elicit their input.

25 And I've attended the once-every-three-

1 to-four-month meetings of the formal policy
2 advisory committee. Been quite impressed by the
3 quality of input that we get, and the degree to
4 which our program appears to be well-centered in
5 meeting the needs identified for California's
6 transmission system.

7 So, I move the item.

8 CHAIRPERSON PFANNENSTIEL: Thank you.

9 Other discussion?

10 COMMISSIONER BYRON: May I --

11 CHAIRPERSON PFANNENSTIEL: Certainly.

12 COMMISSIONER BYRON: Yes, thank you,
13 Madam Chairman. The pace for new Commissioners
14 here, I mean what have we had, three working days
15 since the last one, and a holiday in between.

16 (Laughter.)

17 COMMISSIONER BYRON: Commissioner
18 Geesman's comments were very helpful for me in
19 understanding this a little bit better. I'd like
20 to just ask Dr. Brown if you wouldn't mind
21 addressing a little bit more with regard to the
22 coordination with the ISO.

23 I just wanted to get a better sense of
24 indeed their need and desire for this model.

25 DR. BROWN: I guess I would say, first

1 of all, it was Jim Detmers, the Vice President of
2 Operations at Cal-ISO, that made an announcement
3 that he would like to have this kind of capability
4 for his operators. As you might imagine, the
5 stress is pretty high and the risk is quite high,
6 given the great uncertainty in which now the grid
7 has to be operated, with all the unknowns being
8 thrown at them.

9 So he asked could such a thing be
10 developed. And there was reason to believe so,
11 based upon some previous work that Steven Lee has
12 done through his EPRI, you know, -- he currently
13 works at EPRI now.

14 And so they called in EPRI, Steven Lee
15 in particular, and asked if he thought such a
16 model could be put together in a fairly quick
17 timeframe. He said he thought it could.

18 And then they had to look for funding to
19 do this. And asked us if we would look into that.
20 We investigated it. It looked like it definitely
21 met the needs of public interest R&D because of
22 the importance of keeping the grid up and
23 operating, particularly during these hot summers.

24 And looked into the background. Steven
25 Lee has done a lot of publications in IEEE on the

1 probablistic techniques that are the foundation
2 for this work.

3 Under an earlier project that was a
4 technical scoping project the EPRI people have met
5 with the Cal-ISO people to see if the right data
6 is available; to get that data in the right kind
7 of format; and have talked to the operators and
8 other planners at Cal-ISO to again make sure that
9 this code is being developed along the right
10 lines.

11 And so I guess the bottomline is that
12 the principal investigator and other developers in
13 this project are meeting with Cal-ISO on a regular
14 basis and will continue to do so.

15 The first test, prototype, will be done
16 somewhat outside the actual operating environment
17 because if something goes wrong we don't want to
18 mess it up. But then in the subsequent months,
19 which would be after September, October of this
20 year, they would again then integrate it more into
21 the system.

22 COMMISSIONER BYRON: Okay, thank you.
23 This is coming together for me now. I do recall
24 meeting Dr. Lee down at the Frontier Line summit
25 in San Diego a couple of months ago, and seeing

1 his presentation.

2 I guess the ISO also had a pretty tough
3 day on Monday, is that right?

4 DR. BROWN: I don't know.

5 COMMISSIONER BYRON: They could have
6 used this model, perhaps, on Monday.

7 DR. BROWN: I was on vacation and wasn't
8 worried about it.

9 COMMISSIONER BYRON: Okay, thank you
10 very much.

11 DR. BROWN: Okay. Thank you.

12 CHAIRPERSON PFANNENSTIEL: Merwin, one
13 other question. Remind me again, I think you said
14 earlier when this should be available and
15 operational and useful to the ISO.

16 DR. BROWN: We're hoping to get
17 something, a prototype done by say the September
18 timeframe. We'd hoped to do it earlier, but as
19 you know, things take time in putting these
20 together.

21 But we hope to at least have something
22 before we get out of this current, you know,
23 stressful problem -- area, timeframe. So that's
24 what we're shooting for.

25 CHAIRPERSON PFANNENSTIEL: Thank you.

1 Mr. Chamberlain.

2 MR. CHAMBERLAIN: Yes, just for the
3 Commission's information, the Western Electricity
4 Coordinating Council is also working on the
5 development of something that they call the
6 westwide system model, which is designed to be
7 sure that all of the reliability coordinators have
8 the same tools, the same data upon which to watch
9 the entire interconnection.

10 And Merwin is generously providing the
11 WECC Board some time at the end of this month to
12 present this matter to them so that the staff and
13 the committee people, who will be watching that
14 contract as it develops, can incorporate anything
15 that is developed in this R&D into that westwide
16 system model.

17 CHAIRPERSON PFANNENSTIEL: Thank you.
18 Any further discussion. The item has been moved
19 and seconded.

20 All in favor?

21 (Ayes.)

22 CHAIRPERSON PFANNENSTIEL: Thank you,
23 Merwin.

24 DR. BROWN: Thank you.

25 CHAIRPERSON PFANNENSTIEL: Item number

1 3, possible approval of \$50,000 loan to the Scotts
2 Valley Unified School District to retrofit the
3 lighting system at Scotts Valley High School.
4 These projects will save the school district an
5 estimated 81,612 kilowatt hours or \$5,284.74 in
6 reduced annual energy costs. Good morning.

7 MR. BUCANEG: Good morning,
8 Commissioners. My name is Haile Bucaneg and I'm
9 the Project Manager for this loan. Before I begin
10 my presentation I would like to draw your
11 attention to the estimated energy savings,
12 estimated cost savings and estimated payback
13 period that were just referenced by Chairman
14 Pfannenstiel.

15 These values are incorrect; and the
16 correct annual savings should be 54,866 kilowatt
17 hours; annual cost savings should be \$7,121. And
18 the simple payback should be 8.1 years.

19 These corrected values are the ones in
20 your agenda memo and ones approved by the
21 Efficiency Committee. I apologize for that mix-
22 up.

23 The Scotts Valley Unified School
24 District is a small school district located in the
25 County of Santa Cruz. The school district wanted

1 to reduce the electricity use at Scotts Valley
2 High School, which is the school district's
3 largest school.

4 The school district's goal was to
5 identify energy efficiency measures that could be
6 completed in the summer to minimize the
7 disturbance to the student body.

8 With the assistance of its local energy
9 auditor, RightLights, several cost effective
10 lighting projects were identified. These
11 retrofits included delamping, installing energy
12 efficient fluorescent lamps and ballasts, and
13 installing photocell controls.

14 When these projects are implemented by
15 the district RightLights will provide the district
16 with rebates estimated at \$5000.

17 Energy Commission Staff has evaluated
18 the project recommendations and reviewed the
19 project saving calculations. Staff estimated the
20 school could cut its energy use by 54,866 kilowatt
21 hours, resulting in annual savings of \$7,121.
22 This results in an estimated simple payback of 8.1
23 years for a \$58,000 loan.

24 These lighting projects meet the
25 requirements for a loan under the Energy

1 Conservation Assistance and bond fund program.
2 The program requires repayment of the loan,
3 interest and principal, within 15 years. This is
4 equivalent to the project having a simple payback
5 of 9.8 years or less. The loan to Scotts Valley
6 Unified School District meets this criterion with
7 a simple payback of 8.1 years.

8 As I mentioned earlier the Efficiency
9 Committee has reviewed and approved the \$58,000
10 loan to Scotts Valley Unified School District.
11 Therefore, staff recommends approval of this item.
12 Thank you.

13 CHAIRPERSON PFANNENSTIEL: Thank you.
14 Discussion, questions?

15 COMMISSIONER ROSENFELD: I move item 3.

16 COMMISSIONER GEESMAN: Second.

17 CHAIRPERSON PFANNENSTIEL: Moved and
18 seconded.

19 All in favor?

20 (Ayes.)

21 CHAIRPERSON PFANNENSTIEL: The item is
22 approved; thank you.

23 MR. BUCANEG: Thanks.

24 CHAIRPERSON PFANNENSTIEL: Item 4,
25 possible adoption of the amendments to appliance

1 efficiency regulations published as express terms
2 of proposed regulations 15-day language, dated
3 June 19, 2006. Mr. Flamm.

4 MR. FLAMM: Good morning. On April 26th
5 the Commission adopted amendments to the appliance
6 efficiency regulations Title 20. And in that
7 adoption hearing -- adoption order, it states that
8 this rulemaking proceeding shall remain in effect
9 for continuation of other issues the Committee
10 finds appropriate; and specifically calls out
11 issues related to testing of metal halide
12 luminaires or lighting fixtures.

13 These amendments that are proposed today
14 address only those issues related to metal halide
15 luminaires. The testing protocol, a reference
16 code, and adding the word "only" in the definition
17 of vertical-mounted lamps.

18 So that is what's being proposed.

19 CHAIRPERSON PFANNENSTIEL: Thank you.
20 Any discussion?

21 COMMISSIONER ROSENFELD: I think this is
22 pretty much just cleanup language, right, Gary?

23 MR. FLAMM: Yes, it is.

24 COMMISSIONER ROSENFELD: So, I move the
25 item.

1 COMMISSIONER BYRON: And I'll second it.

2 CHAIRPERSON PFANNENSTIEL: All in favor?

3 (Ayes.)

4 CHAIRPERSON PFANNENSTIEL: Thank you,
5 Gary.

6 MR. FLAMM: Thank you.

7 CHAIRPERSON PFANNENSTIEL: Item 5,
8 possible approval of contract RMB500-500-06-001,
9 an agreement to receive \$145,000 from NASEO for
10 Energy Commission participation in a gas water
11 heating research and development program. Ms.
12 Brook.

13 MS. BROOK: Good morning, I'm Martha
14 Brook with the PIER buildings program.

15 In 2005 the National Association of
16 State Energy Officials ran a solicitation called
17 STAC, the state technology advancement
18 collaborative.

19 The primary objective of STAC is to
20 support joint energy research, development,
21 demonstration and deployment of technologies where
22 common federal and state objectives exist.

23 The Commission participated in a
24 multistate research proposal with the New York
25 State Energy Research and Development Authority,

1 and the Energy Center of Wisconsin in the area of
2 gas water heating.

3 The federal funds that the Commission
4 will receive through this agreement will be
5 included in a future contract amendment with
6 Lawrence Berkeley National Laboratory, and will be
7 used to test promising gas storage water heating
8 technologies.

9 Cofunding from the PIER buildings
10 program of over \$500,000 will be contributed from
11 two active water heating research contracts.

12 At this time I'd like to answer any
13 questions that you might have.

14 CHAIRPERSON PFANNENSTIEL: Thank you.
15 Are there any questions? No questions.

16 COMMISSIONER ROSENFELD: I move item 5.

17 COMMISSIONER GEESMAN: Second.

18 CHAIRPERSON PFANNENSTIEL: Moved and
19 seconded.

20 All in favor?

21 (Ayes.)

22 MS. BROOK: Thank you.

23 CHAIRPERSON PFANNENSTIEL: Approved,
24 thank you, Ms. Brook.

25 Item 6, possible approval of contract

1 500-06-004 for \$380,000, San Diego State
2 University's research foundation to develop and
3 evaluate tools for creating communities that are
4 energy efficient and environmentally friendly.
5 Ms. Davis.

6 MS. DAVIS: Hi, good morning,
7 Commissioners. My name is Cheri Davis and I work
8 in the building efficiency program for PIER.

9 We are seeking approval of a \$380,000
10 contract with the San Diego State University
11 research foundation to support research on the
12 design of more energy efficient and
13 environmentally friendly communities.

14 This is the first project to be
15 undertaken by the new National Energy Center for
16 Sustainable Communities, a partnership of San
17 Diego State University, the Gas Technology
18 Institute, the City of Chula Vista, and U.S.
19 Department of Energy.

20 This contract will provide support to a
21 DOE-funded project already underway, the overall
22 purpose of which is to resolve outstanding
23 technical and market barriers to development of
24 more energy- and resource-efficient communities in
25 California.

1 The specific methodology involves
2 employing four separate models to evaluate and
3 optimize energy and environmental parameters at
4 the community level. Energy and environmental
5 parameters include building energy use, urban heat
6 island effects, water quality and urban runoff,
7 transportation energy and land use, and greenhouse
8 gas emissions.

9 The models have not been used in this
10 way before. And one of the objectives of this
11 research is to test the ability of these models
12 when used together to effectively evaluate and
13 optimize designs at the community scale.

14 We will be developing optimize designs
15 for three Chula Vista communities that are
16 actually in the planning phases. So this is
17 something that we hope will actually come to
18 fruition. But this project in particular is just
19 to do the modeling work.

20 In addition, the contract will be
21 analyzing the institutional and market barriers to
22 the creation of energy- and resource-efficient
23 communities in California. This effort will draw
24 from the knowledge of investors, developers,
25 builders, brokers, environmental organizations and

1 government institutions.

2 The will be developing case studies and
3 guidelines for use by planning, design and
4 building professionals and government entities.
5 And they will be developing an outreach plan for
6 these guidelines.

7 The City of Chula Vista is very
8 committed to implementing these community designs
9 and developing further research.

10 CHAIRPERSON PFANNENSTIEL: Thank you,
11 Cheri. I know that I've been involved in
12 discussions on this for some time, maybe a year
13 now, talking with both DOE and GTI about their
14 interest in looking at smart growth and community
15 development. And I'm aware that this is one of
16 only a couple projects that are available to do
17 this kind of analysis on. So I'm glad that we got
18 involved in it.

19 Are there questions from the dais?

20 COMMISSIONER GEESMAN: I have a
21 question.

22 CHAIRPERSON PFANNENSTIEL: Commissioner
23 Geesman.

24 COMMISSIONER GEESMAN: How does our
25 previous effort on the PLACES model fit into this?

1 MS. DAVIS: I anticipated that question.
2 The PLACES model is looking at modeling for more
3 regional levels. So this is a slightly more
4 focused microscopic level.

5 CHAIRPERSON PFANNENSTIEL: I also
6 understand, Commissioner Geesman, that when the
7 Chula Vista project organizers were looking they
8 did consider the PLACES model and ended up with
9 one that was, I think as Ms. Davis said, much more
10 focused on specifically their needs.

11 MS. DAVIS: If possible they might be
12 testing the PLACES model for the same development
13 as a way of just kind of comparing how the two
14 methods work.

15 CHAIRPERSON PFANNENSTIEL: Further
16 discussion?

17 COMMISSIONER ROSENFELD: I'm very happy,
18 I move the item.

19 COMMISSIONER GEESMAN: Second.

20 CHAIRPERSON PFANNENSTIEL: All in favor?
21 (Ayes.)

22 CHAIRPERSON PFANNENSTIEL: The item is
23 approved, thank you.

24 MS. DAVIS: Thank you.

25 CHAIRPERSON PFANNENSTIEL: Item 7,

1 possible adoption of the Executive Director's data
2 adequacy recommendation for the AES Highgrove
3 Power Plant project application for certification,
4 and possible Committee assignment. Mr. Worl.

5 MR. WORL: Good morning, Chairman
6 Pfannenstiel and Commissioners. My name is Bob
7 Worl; I'm the Project Manager for the AES
8 Highgrove project.

9 On May 25th AES Highgrove LLC filed an
10 application with the Commission to get a permit to
11 build, own and construct the AES Highgrove 300
12 megawatt peaking power plant on the site of an old
13 SCE hydro power plant in Grand Terrace, which is
14 in San Bernardino County, just north of the
15 Riverside County line.

16 The Executive Director approved the
17 staff's recommendation on June 23rd that the
18 project application at this time is data
19 inadequate. We did receive supplemental
20 information from the applicant on June 28th, which
21 is still missing one piece from the air district
22 that's quite vital.

23 And at this time we're going forward
24 with the recommendation originally made by the
25 Executive Director that the project is not

1 adequate at this time. We're hoping to resolve
2 that issue by the business meeting on the 19th.

3 CHAIRPERSON PFANNENSTIEL: Thank you.

4 COMMISSIONER GEESMAN: What's the one
5 piece that remains outstanding?

6 MR. WORL: The air district has just
7 received the application from the applicant for an
8 authority to construct. And they have not had
9 adequate time to review that to determine whether
10 or not the application to the district is
11 complete.

12 CHAIRPERSON PFANNENSTIEL: Comments from
13 the applicant?

14 MR. GALATI: Madam Chair, Members of the
15 Commission, my name is Scott Galati, representing
16 AES Highgrove LLC, a wholly owned subsidiary of
17 AES Corporation.

18 We agree with the staff recommendation.
19 We're waiting for communication from the air
20 district that the application that they received
21 meets all of their needs so that they can begin
22 their PDOC process.

23 I would like to say one thing,
24 congratulate staff and thank you very much for
25 helping us. Bob Worl facilitated good

1 communication between the applicant and our team
2 and his team. And particularly Sudath from the
3 transmission group, made a phone call and was able
4 to get power flow diagrams electronically
5 delivered that we weren't able to get. So, I
6 thank that very much. And I'd like to make sure
7 staff is recognized.

8 Thank you. We look forward to seeing
9 you on the 19th.

10 CHAIRPERSON PFANNENSTIEL: Thank you.
11 That's very good to hear. I guess given that we
12 have in front of us a adoption of the staff
13 recommendation.

14 COMMISSIONER GEESMAN: I'll move that.

15 COMMISSIONER ROSENFELD: Second.

16 CHAIRPERSON PFANNENSTIEL: In favor?

17 (Ayes.)

18 CHAIRPERSON PFANNENSTIEL: It's
19 approved, thank you.

20 MR. WORL: Thank you very much.

21 MR. GALATI: Thank you.

22 CHAIRPERSON PFANNENSTIEL: Item 8,
23 possible approval of a petition to amend the
24 Energy Commission's decision to add Pacific Gas
25 and Electric Company as an owner, extend the

1 construction timeframe and conduct four facility
2 enhancements to the 530 megawatt project. I
3 didn't give the name of the project, it's Contra
4 Costa Power Plant Unit 8.

5 MR. MEYER: Good morning, Commissioners.

6 CHAIRPERSON PFANNENSTIEL: Good morning.

7 MR. MEYER: Christopher Meyer; I'm the
8 Compliance Project Manager for the Contra Costa
9 Unit 8 Power Plant.

10 The petition before us, as you say, is
11 for the addition of PG&E as an owner, extension of
12 the construction mileposts, and four facility
13 enhancements at the Contra Costa Unit 8 Power
14 Plant.

15 The power plant is a 530 megawatt
16 combined cycle plant in Antioch, in Contra Costa
17 County. The facility is currently owned by Mirant
18 Delta LLC, and was certified back on May 30, 2001.

19 Construction did start on the facility.
20 They were started in August of 2001. But have
21 been suspended since February of 2002, with about
22 7 percent of the project completed at this point.

23 Another little piece of background. The
24 power plant that's there currently, the Contra
25 Costa Power Plant, is outside of our jurisdiction,

1 but the power plant that was approved by the
2 Commission is on that same facility. There's a
3 lot of shared facilities there between the two,
4 the existing and the proposed -- excuse me, the
5 soon-to-be-constructed power plant.

6 The pending project modification is to
7 change the ownership to add PG&E as an owner,
8 along with Mirant. Because of the links between
9 the two facilities Mirant will also remain as a
10 part owner, and they will also be responsible for
11 compliance with the conditions of certification
12 for the project.

13 The only difference in that, PG&E will
14 be solely responsible for the air quality permits
15 for unit 8.

16 The extension of the construction
17 mileposts is going to reflect resuming
18 construction three months after the closing of the
19 asset transfer agreement between Mirant and PG&E.
20 So that would be three months after they're
21 talking about beginning commercial operation 24
22 months after that date.

23 This date, it is sort of a floating date
24 depending on when the asset transfer agreement
25 does close, but staff has been informed by PG&E

1 that they intend to close the asset transfer
2 agreement, start construction, you know, very soon
3 after the Commission hears this petition.
4 Hopefully they'll start --

5 COMMISSIONER GEESMAN: Let me interrupt.

6 MR. MEYER: Yes.

7 COMMISSIONER GEESMAN: So the asset
8 transfer agreement has not closed?

9 MR. MEYER: No.

10 COMMISSIONER GEESMAN: And I believe in
11 the back of the materials there's an indication
12 that PG&E intends to commence construction in
13 September?

14 MR. MEYER: Yes.

15 COMMISSIONER GEESMAN: And you said that
16 they would commence construction 90 days after the
17 asset transfer agreement closed?

18 MR. MEYER: Yes, that was the
19 information they provided in their petition, that
20 they would be starting it within three months of
21 the close of the asset transfer agreement. So --

22 COMMISSIONER GEESMAN: And then you
23 seemed to infer that our approval of this change
24 of ownership is a critical path item?

25 MR. MEYER: That's what we were told

1 early in the process, that they wanted -- that
2 PG&E wanted to make sure that this was approved
3 before they went forward.

4 COMMISSIONER GEESMAN: Thank you.

5 MR. MEYER: And we were also informed
6 that the intent is to close the asset transfer
7 agreement no later than June 30, 2008. But, as
8 they've said again, that they anticipate closing
9 it much sooner than that.

10 The third part of the petition is to
11 make four facility enhancements on the project.
12 The first one would be to install a water
13 treatment facility that would serve unit 8's water
14 processing needs.

15 The second would be to enhance the
16 cooling tower blowdown treatment system by adding
17 sand filters to remove suspended solids and a
18 dechlorination system to remove residual chlorine.

19 They would also be installing an
20 oil/water separator that would handle unit 8's
21 needs. And the last change would be to enlarge
22 the administration building for unit 8 so that it
23 has a footprint of 100 by 140 feet.

24 And staff, in looking at these changes,
25 we've identified that there will be no conditions

1 that need to be changed.

2 COMMISSIONER GEESMAN: Could you address
3 how the existing conditions in the license have
4 been complied with or met to date?

5 MR. MEYER: Yeah, that would be my next
6 item here. One of the concerns that staff had is
7 that the aquatic filter barrier that you're most
8 likely aware of that was designed to address
9 possible impingement and entrainment issues with
10 the intake for units 6 and 7. And then unit 8
11 would be using the effluent of that.

12 We understand that PG&E and Mirant, they
13 do not intend to install that aquatic filter
14 barrier as required by several of the conditions
15 of certification.

16 So, this amendment doesn't directly
17 impact that, but it did bring up the fact that
18 before they start operation that that's something
19 that would have to be addressed. And in our staff
20 analysis, in our recommendations, we addressed
21 ways of treating that compliance, so that we can
22 make sure that the project is either in compliance
23 or as we recommend, that they would come back with
24 an amendment to address the mitigation that was
25 intended by the aquatic filter barrier prior to

1 operation.

2 COMMISSIONER GEESMAN: I think you also
3 recommend some type of statement by PG&E of their
4 intention to comply?

5 MR. MEYER: Paul, do you want to --

6 MR. KRAMER: Yes. In the staff analysis
7 we indicated that because of the approach we were
8 recommending that we needed a revised statement
9 from PG&E. That's a general requirement of a
10 change of ownership. They, of course, filed one
11 with their original application.

12 They did, last week, give us a revised
13 statement that indicates their agreement with what
14 we're calling understandings 1 and 2. But, we
15 decided it was appropriate to add a third
16 understanding. And those two crossed in the mail.

17 So today we wanted to make sure that
18 PG&E has an opportunity to indicate whether or not
19 they agree with the third understanding, as well.
20 And --

21 CHAIRPERSON PFANNENSTIEL: I'm sorry,
22 would you explain what the third understanding is.
23 I don't see it in my notes.

24 MR. KRAMER: It's in the errata that was
25 made and given to the Commissioners Monday. And

1 it says that -- it's really a clarification. It
2 says, until the Resource Agency permits are
3 obtained, unit 8 will be designed and constructed
4 in such a manner that will not preclude the switch
5 to an alternative cooling technology.

6 And what it's referring to in terms of
7 Resource Agency permits are basically that's one
8 of the two alternative approaches that staff's
9 recommending to do. Either that they resolve the
10 outstanding uncertainty about mitigation for the
11 use of once-through cooling by negotiating with
12 the federal and state resource agencies new
13 mitigation program. And come back with an
14 amendment to build that into the Commission's
15 decision.

16 Or, as an alternative, they find some
17 other method of cooling that does not involve the
18 use of delta water in a once-through cooling way.
19 And the likely alternative there would be
20 reclaimed water.

21 Staff did some preliminary, kind of a
22 fatal flaws analysis of the use of reclaimed
23 water, and decided that that appears to be a very
24 viable option for this project. For unit 8, that
25 is.

1 COMMISSIONER GEESMAN: Well, I think
2 we're just being handed the errata now, so --

3 CHAIRPERSON PFANNENSTIEL: Right, I had
4 not seen it.

5 COMMISSIONER GEESMAN: -- I'd have to
6 say I have a bit of resistance to dealing with
7 this too much on the fly. I was responding to the
8 paragraph in your June 16th memo that said staff
9 makes this recommendation subject to PG&E's filing
10 of a revised statement confirming its intention to
11 continue to participate in the ongoing efforts to
12 develop alternate mitigation methods and to abide
13 by the above understanding in addition to the
14 conditions of certification.

15 That, frankly, strikes me as a bit too
16 loose for at least my view of the way in which
17 we're supposed to enforce the conditions of our
18 licenses.

19 This is a project that has not really
20 proceeded very rapidly under construction. Based
21 on the staff materials filed with us,
22 circumstances surrounding the cooling water
23 situation have changed a fair amount since we
24 issued our decision in 2002. And at least by my
25 count I think Commissioner Rosenfeld is probably

1 the only Member of this Commission that was here
2 when we rendered that decision.

3 The Commission has taken several steps
4 in articulating a cooling water policy. The most
5 significant, I believe, was in our 2003 IEPR.
6 And, frankly, although I think bankruptcy excuses
7 a lot of things, in the four years I've been on
8 the Commission I can't say that I've been
9 overwhelmed by Mirant's enthusiasm for meeting the
10 various requirements the State of California
11 applies to a generator.

12 And I would hope that PG&E brings with
13 it a different attitude as it joins this project.
14 This particular juncture would seem to me to be a
15 good time to get a better written affirmation of
16 PG&E's intent to do that. And I'm not certain
17 what the time pressure of us taking action on this
18 item today is.

19 CHAIRPERSON PFANNENSTIEL: Well, could
20 we hear from the applicant, I think, and are there
21 comments on that?

22 MR. RUSSELL: Good morning, Madam Chair
23 and Commissioners. My name is Jeff Russell; I'm
24 President of Mirant California LLC, and its
25 subsidiaries, Mirant Delta LLC and Mirant Potrero

1 LLC. I'm responsible for all of Mirant's
2 generation assets in the State of California.

3 I'd like to start out by saying that
4 Mirant supports the staff recommendation and
5 appreciates all the time, effort and high quality
6 work that the staff put into it. Also, available
7 to answer any other questions that you may have.

8 I'd like to start out by saying that we
9 believe that in order to further the commercial
10 deal between Mirant and PG&E it's imperative per
11 our commercial arrangements that we get this step
12 accomplished with the modifications to the AFC and
13 the permission for the addition of PG&E to the
14 AFC.

15 Once that commercial arrangement is
16 concluded and the ATA is closed, then PG&E will
17 own the project and proceed as outlined here. And
18 they are prepared to answer your concerns. They
19 have signed several affidavits stating that. And
20 I don't want to go any further speaking for PG&E
21 because we've got Fong Wan here to do that.

22 But if you have any other questions, I'd
23 be happy to answer them.

24 CHAIRPERSON PFANNENSTIEL: Thank you.
25 Mr. Wan.

1 MR. WAN: Madam Chair and Commissioners,
2 I am Fong Wan, Vice President of Energy
3 Procurement with Pacific Gas and Electric. I am
4 responsible for PG&E's electric procurement
5 business, which includes the purchase and
6 development of the Contra Costa 8 unit.

7 And I'd like to say that this plant
8 arose out of the settlement that we have with
9 Mirant dating back to January of 2005. And we
10 structured the settlement as an option for PG&E to
11 resume the completion of the plant.

12 And the reason we structured this as an
13 option was to make sure that all the stakeholders
14 would agree that this is the right step for the
15 State of California and our customers.

16 We have received all the necessary
17 approval from FERC and the CPUC at this point. So
18 it's taken a little while. The CPUC provided its
19 approval about a couple weeks ago.

20 And we support the staff's
21 recommendation today. It will allow us to move
22 expeditiously to close on the ATA, the asset
23 transfer agreement. We believe this is the last
24 step that we would need to move on to closure of
25 this agreement.

1 And I have submitted a written letter
2 committing myself and PG&E to meeting the
3 requirements, and a statement of understanding for
4 statement number one, and statement number two.
5 And I'll be glad to submit another letter of
6 understanding for statement number three, in
7 writing, if you prefer.

8 PG&E's committed to construct this plant
9 in a responsible way. And we will not proceed
10 without the approval of the Commission or the
11 resource agencies.

12 COMMISSIONER GEESMAN: Statement number
13 one and number two refers to the errata that we
14 were handed a couple minutes ago?

15 MR. WAN: I have the errata in front of
16 me.

17 COMMISSIONER GEESMAN: And, Fong, when
18 you say one and two, you mean the numbered
19 paragraph at the bottom of page one, and the
20 numbered paragraph at the top of page two?

21 MR. WAN: That's --

22 CHAIRPERSON PFANNENSTIEL: Those are the
23 affidavits you have already submitted?

24 MR. WAN: Yes, it is.

25 CHAIRPERSON PFANNENSTIEL: And you have

1 not yet, but are willing and intend to submit an
2 affidavit under item number three?

3 MR. WAN: Yes, I am.

4 COMMISSIONER GEESMAN: I apologize, I'm
5 just not comfortable dealing with it on the fly
6 like this. I like to have a document like this in
7 front of me, and the ability to read it somewhere
8 outside a public meeting where I'm being asked to
9 take a vote on it.

10 And although I certainly believe we
11 ought to deal with the matter expeditiously, I'm
12 not prepared to do so today.

13 CHAIRPERSON PFANNENSTIEL: And, first,
14 is there a consequence of delaying this until our
15 next business meeting?

16 MR. WAN: There is a consequence in
17 delay. And the delay is roughly about \$1 million
18 per month; that's per the contract that Mirant had
19 with Black and Veatch. So there is a consequence
20 to delay. But I'm not aware of when the next
21 Commission's meeting is, I'm sorry.

22 CHAIRPERSON PFANNENSTIEL: Two weeks.

23 MR. WAN: Okay.

24 CHAIRPERSON PFANNENSTIEL: Thank you.

25 We have some others who have asked to speak on

1 this item. So why don't we hear from them. The
2 San Francisco Baykeepers. Ben Eichenben?

3 MR. EICHENBERG: Thank you, yeah, I'm
4 Ben Eichenberg, representing, speaking on behalf
5 of San Francisco Baykeeper and the California
6 Coastkeeper Alliance.

7 We're also supporting the staff
8 recommendations. Just wanted to point out this is
9 a good time this Commission has the authority and
10 perhaps the responsibility under CEQA to take --

11 COMMISSIONER ROSENFELD: Could you speak
12 a little closer to the mike?

13 MR. EICHENBERG: I'm sorry. Has
14 authority and perhaps the responsibility under
15 CEQA to take a look at once-through cooling again.
16 There's been some significant changes to the plan
17 for the construction of unit 8. And this makes
18 that a good juncture to review those changes and
19 to take, maybe do a subsequent environmental
20 impact report on it.

21 COMMISSIONER GEESMAN: Do you read this
22 errata as putting us on that course?

23 MR. EICHENBERG: I'm not sure I'm
24 familiar with the errata you're referring to.

25 COMMISSIONER GEESMAN: Well, that's one

1 of my problems. This is not the way we do
2 business on large, significant power plants. And
3 I would caution all of the parties to this. Don't
4 put us in this position again. You know, these
5 need to be considered judgments. They ought not
6 to be dealt with on a rush basis with large dollar
7 amounts associated with our delay. Sorry.

8 MR. EICHENBERG: Understood. No
9 problem. I'm sure the holiday weekend interfered
10 with some people's --

11 COMMISSIONER GEESMAN: Well, I'd like to
12 see if you contemplate a new CEQA process, I'd
13 like to see the prospective new owner acknowledge
14 that in whatever written statement the new owner
15 delivers to us. I'd like to see the staff address
16 that a bit more directly in whatever document the
17 staff agrees to.

18 It would seem to me we're at an
19 important juncture point here and ought not to
20 deal with it with words calculated in their
21 ambiguity.

22 MR. EICHENBERG: I don't see a problem
23 in that case with delaying for two weeks. I know
24 it sounds like there's a lot of money involved in
25 it for PG&E, but as you pointed out earlier, it

1 also seems as though the project has been delayed
2 quite a bit through -- not through this
3 Commission's process, but through, you know,
4 market forces or whatever it is that's slowing it
5 down.

6 CHAIRPERSON PFANNENSTIEL: Thank you.
7 There's Bradley Daniels with San Francisco
8 Baykeepers, also would like to speak.

9 MR. DANIELS: Hi, I'm Brad Daniels. I'm
10 also here on behalf of San Francisco Baykeeper and
11 with the Stanford Environmental Law Clinic.

12 I'm just kind of here to talk about the
13 Endangered Species Act and kind of the impact this
14 plant will have on that law.

15 This plant with its once-through cooling
16 process, right now the Fish and Wildlife Service
17 basically says that 7000 delta smelt are to be
18 taken up through this plant. This will not change
19 if you guys don't change it.

20 This is old technology. Once-through
21 cooling technology is old. Federal Congress has
22 already said through Clean Water Act section
23 316(b) that this is old technology.

24 And as you might be aware of this once-
25 through cooling process, as well, this is old

1 technology. The Congress has already specified to
2 that extent.

3 Each of these power plants, they're
4 going to be coming up through up and down the
5 coast. All these are going to have the same
6 issue. The Clean Water Act specifically is based,
7 you know, is there to protect these endangered
8 species.

9 Now, the delta smelt is also an
10 indicator species for the whole Delta. When the
11 delta smelt go down it shows that the whole
12 ecology is very messed up. In the past couple
13 years the delta smelt have basically been very
14 hard to find. The past two trawlings, as the Fish
15 and Wildlife Service have said, they've basically
16 found almost none delta smelt. Which means
17 basically that the whole ecology of the Delta is
18 about to collapse.

19 Basically we're just here to say, you
20 know, these kind of things should be taken into
21 account. As Ben mentioned, the CEQA process would
22 also account for this, would look at the
23 environmental impacts.

24 And also there's just obviously
25 different technology out there. You have the

1 reclaimed water aspect. You have different
2 mitigation factors that can be taken into account
3 here.

4 So we support the staff in that any
5 certification should be conditioned on an
6 amendment to make sure that PG&E and Mirant comply
7 with the Fish and Wildlife Service and the
8 National Marine Fisheries Service.

9 I'd also like to say that as a state
10 agency, you also have a duty under the public
11 trust doctrine, to protect these species. They
12 are public trust resources. And if you were to
13 grant the certification without these conditions
14 you would basically be undercutting other state
15 agencies such as the Fish and Wildlife Service,
16 the California DFG and also the State Water
17 Resources Control Board and the Regional Water
18 Control Board, in that you would also place this
19 burden more on them, as well, through their NPDES
20 permits.

21 Is there any questions?

22 CHAIRPERSON PFANNENSTIEL: Thank you. I
23 note that Baykeeper has also submitted a letter to
24 the Commission which I just received this morning,
25 so I have not had a chance to look at it yet.

1 MR. DANIELS: Okay.

2 CHAIRPERSON PFANNENSTIEL: Thank you --

3 MR. DANIELS: Thanks.

4 CHAIRPERSON PFANNENSTIEL: -- for your
5 participation.

6 Mr. Wan.

7 MR. WAN: Thank you. I just wanted to
8 offer a couple other facts for your consideration.
9 The first one is even though the power plant is
10 written as 7 percent complete, I wanted to mention
11 that with all the turbines and all the equipment
12 that Mirant has agreed to provide to PG&E under
13 this option agreement, it essentially amounts to
14 approximately 40 percent off in terms of the cost
15 of a new construction. And we believe that's a
16 fantastic deal for our customers.

17 It's an excellent opportunity for us to
18 meet our resource needs which identify in our
19 long-term plan before the CPUC. We will need new
20 resources in the year 2008 and 2010, and this fits
21 in very well with that.

22 And the second item I wanted to ask for
23 your consideration, yes, I do understand,
24 Commissioner Geesman, your concern about last-
25 minute errata changes. I ask you to please look

1 at number three. Number three is actually a
2 commitment that PG&E will design and construct a
3 plant that, if we take ownership, that can go
4 either way. And we would not preclude the dry
5 cooling.

6 And another way to say this is that we
7 will only proceed under bullet number one if we
8 have received everyone's approval on the
9 mitigation plan, the Commission, and you see the
10 last line of page 1, all the resource agencies,
11 and require all the -- acquire all the required
12 permits.

13 We think this commitment binds us to
14 meet everyone's satisfaction. And it was not
15 meant to play with words; it just further put
16 conditions on us that we will construct it in a
17 way that could go either way.

18 COMMISSIONER GEESMAN: Well, I would
19 like to see you address the cooling water policy
20 adopted by this Commission in its 2003 IEPR, in
21 the written statement that you file with us.

22 And I certainly agree with your
23 characterization of your resource needs, and the
24 potential attractiveness of this project. I'd
25 remind you, though, that when we, our staff in I

1 believe the cost of generation report done for the
2 2003 IEPR, reviewed the life cycle cost of a
3 combined cycle facility, it attributed -- and we
4 updated these numbers in our 2005 IEPR -- it
5 determined that between 70 and 90 percent of the
6 lifecycle cost of the electricity coming from such
7 a combined cycle would be attributed to fuel
8 costs.

9 So, while I do think we certainly ought
10 to strive for the most cost effective construction
11 of the capital facilities, we ought not to lose
12 sight of the fact that that's between 10 and 30
13 percent of the lifecycle cost of the electricity
14 that will be generated at this site.

15 MR. WAN: I understand that.

16 CHAIRPERSON PFANNENSTIEL: Do we have
17 further comments?

18 Well, I would like to suggest that given
19 where we are in terms of information being
20 received, that I know Commissioner Geesman and I
21 would prefer to hold this item over until our next
22 business meeting, by which time we'll have had a
23 chance to look at the new information that has
24 come in. So, we'll be back on the 19th of July.

25 Approval of minutes of the June 29th

1 business meeting.

2 COMMISSIONER ROSENFELD: I'd move the
3 minutes but I wasn't here, so I also abstain.

4 COMMISSIONER GEESMAN: I'll move the
5 minutes, I was here.

6 COMMISSIONER BYRON: And I'll second
7 them.

8 CHAIRPERSON PFANNENSTIEL: In favor?

9 (Ayes.)

10 CHAIRPERSON PFANNENSTIEL: Commission
11 Committee discussion. Any discussion?

12 Chief Counsel report, Mr. Chamberlain.

13 MR. CHAMBERLAIN: Yes, Madam Chairman.

14 Last meeting we discussed a memo that Commissioner
15 Geesman asked me to write about the question what
16 kinds of documents require five signatures and
17 what kinds only require one.

18 I anticipate providing that memo for you
19 to review, and then perhaps discuss on the 19th.
20 I should provide that either today or tomorrow.

21 CHAIRPERSON PFANNENSTIEL: Thank you.
22 Executive Director report.

23 MR. O'BRIEN: Madam Chairman, at the
24 last business meeting on June 29th, Executive
25 Director Blevins indicated that the staff would

1 come back per the request of the Commission and
2 discuss the implications of the Commission's
3 adoption of the 2007 demand numbers in terms of
4 what that meant for the 2006 summer outlook.

5 And Dave Ashuckian is here. We have
6 provided you with some updated charts, and Dave
7 can go through that and answer any questions you
8 might have.

9 CHAIRPERSON PFANNENSTIEL: Fine. David.

10 MR. ASHUCKIAN: Good morning, Chairman
11 Pfannenstiel, Commissioners. I'm here again, as
12 Terry indicated, to address the request to look at
13 the impact of the revised demand forecast on 2006
14 summer outlook. And, as you have before you, our
15 revised tables.

16 What we have done is incorporated the
17 revised forecast that was adopted on the 29th
18 using what was the last supply outlook. We have
19 made a couple of modifications to the supply.
20 There's been a couple of small peaker plants that
21 were approved over the last few weeks, so those
22 have been added into this.

23 In addition to that, we have added 110
24 megawatts of demand respond into the demand
25 response option as a result of the MWD pumping

1 load that was, in the past, considered one of the
2 action items available to the state under adverse
3 conditions. We're now including that as part of
4 demand response.

5 COMMISSIONER GEESMAN: Is there any
6 change in the contractual or operational status of
7 that pumping load?

8 MR. ASHUCKIAN: No, no. We just --

9 COMMISSIONER GEESMAN: It's just a
10 question of how we count it?

11 MR. ASHUCKIAN: Yeah, it wasn't included
12 as part of the traditional programs under demand
13 response because it was more of a separate
14 activity. And so now we just included that to
15 keep -- so it's more ubiquitous with the supply
16 outlook.

17 In addition to that, in the past we
18 actually used the demand forecast high case
19 because of the expected demand. We wanted to be
20 more conservative. But given the adjustment to
21 the demand forecast we're now going back and using
22 the basecase. So we are now using the basecase
23 forecast from the revised.

24 COMMISSIONER GEESMAN: And how much of a
25 difference was there in southern California

1 between the high and the base?

2 MR. ASHUCKIAN: In the past there was
3 only about 74 megawatts. I don't have the number
4 now off the top of my head. The difference in
5 southern California between what was the last
6 forecast versus today's is about 933 megawatts.
7 So it has gone up 933 megawatts from the last
8 forecast.

9 As you can see statewide, as well as
10 ISO-wide, under expected conditions we don't see
11 any anticipated problems this summer. And
12 including south of Path 26 under expected
13 conditions.

14 COMMISSIONER GEESMAN: That's your one-
15 in-two?

16 MR. ASHUCKIAN: That's the one-in-two.
17 And, in fact, under this summer's monthly, even
18 under adverse conditions, we should have adequate
19 resource to meet the demand with the use of
20 interruptibles and demand response, in the case of
21 adverse conditions only.

22 So, this additional 933 megawatts does
23 essentially lower our potential reserve under
24 adverse conditions, but we still should have
25 adequate resources to meet load.

1 COMMISSIONER GEESMAN: But you're
2 characterizing 5.3 as adequate when the ISO shoots
3 for 7?

4 MR. ASHUCKIAN: Under, yeah, this is not
5 a potential loss of firm load. This is using --
6 it would require interruptibles and demand
7 response under the adverse scenarios of all
8 temperature, outages and zone congestion occurring
9 simultaneously.

10 COMMISSIONER GEESMAN: And even then we
11 wouldn't hit 7?

12 MR. ASHUCKIAN: We wouldn't hit 7, but
13 it's not a stage 2. It's essentially we're
14 calling on these programs, but essentially no loss
15 of load, firm load.

16 CHAIRPERSON PFANNENSTIEL: Have we made
17 any changes recently in demand response besides
18 what you just talked about, adding the --

19 MR. ASHUCKIAN: Well, in the previous
20 outlook we actually made some adjustments based on
21 last year's experience. And so some of the demand
22 -- actually the interruptible programs have gone
23 up a little bit, the demand response programs went
24 down based on deployment of those, you know,
25 implementation of those.

1 So there has been a slight adjustment.
2 That was presented to the EAP at the last meeting,
3 I think it was in April.

4 CHAIRPERSON PFANNENSTIEL: And nothing
5 since then that's been --

6 MR. ASHUCKIAN: Nothing has changed as
7 far as we're aware of.

8 COMMISSIONER GEESMAN: So,
9 programmatically, despite the fact that since that
10 April 28th briefing, we've now bumped the demand
11 forecast in southern California upward by nearly
12 1000 megawatts. Programmatically there have been
13 no adjustments in the demand response programs?

14 MR. ASHUCKIAN: Not that I'm aware of.
15 If you move on to the package, we do have a
16 preliminary outlook at the five-year outlook. And
17 again, if you move again to the SP-26 area, which
18 is again the most critical in the state, you'll
19 see that as soon as 2007 under adverse conditions
20 we will potentially have problems even with the
21 use of interruptibles and demand response.

22 So in that case we do anticipate the
23 need for additional resources by next summer.

24 CHAIRPERSON PFANNENSTIEL: That's the
25 3.4 percent?

1 MR. ASHUCKIAN: Correct. So in that
2 case, even with demand response and
3 interruptibles, there would potentially be the
4 need to drop firm load.

5 CHAIRPERSON PFANNENSTIEL: Again, I'm
6 looking at demand response above line 7 there,
7 showing that you assume no additional demand
8 response throughout this entire five-year period.

9 MR. ASHUCKIAN: That's correct. We
10 assume no additional demand response. We --

11 CHAIRPERSON PFANNENSTIEL: And no
12 additional interruptible.

13 MR. ASHUCKIAN: And no additional
14 interruptibles, as well as no additional
15 resources, new additions to the system. And,
16 again, this is just based on a most conservative
17 outlook for the future.

18 COMMISSIONER GEESMAN: And is that using
19 our base forecast or our high forecast?

20 MR. ASHUCKIAN: This is the base
21 forecast.

22 COMMISSIONER GEESMAN: So it's not a
23 most conservative, it's a conservative.

24 MR. ASHUCKIAN: Yeah. We also re-ran
25 the probability of meeting reserves, and as you

1 can see, the last two pages of that package does
2 have the new probability run.

3 And as you can see, we do have a 95.6
4 percent chance of not going below 1.5 percent,
5 meeting a stage 3. That has dropped about 3
6 percent from what was using the old forecast.

7 CHAIRPERSON PFANNENSTIEL: Dave, I just
8 want to make sure that when you talk about using
9 the old forecast, it was the old demand forecast,
10 but it was the high end?

11 MR. ASHUCKIAN: That's correct.

12 CHAIRPERSON PFANNENSTIEL: And now we're
13 using the new demand forecast, but basecase?

14 MR. ASHUCKIAN: That's correct.

15 CHAIRPERSON PFANNENSTIEL: So we're
16 adjusting it somewhat, making it look a little
17 better.

18 MR. ASHUCKIAN: Yeah, and again, the
19 difference between the high case and the basecase
20 using the previous forecast was very small
21 difference.

22 CHAIRPERSON PFANNENSTIEL: Okay.

23 COMMISSIONER GEESMAN: Do you have any
24 assessment as to what last year's weather actually
25 was on the probability table? Were we a one-in-

1 ten? Were we a --

2 MR. ASHUCKIAN: Actually, Tom might be
3 better able to answer that. I'm pretty sure that
4 we did not go over -- we did not hit the one-in-
5 ten I know for sure. I'm not sure if we were
6 above one-in-two or not.

7 MR. GORIN: Hi, I'm Tom Gorin from the
8 demand office. Southern California hasn't hit
9 one-in-two since 1998. So, we've been on the low
10 end of the temperature spectrum, by the way I
11 calculate it, which uses the last 56 years worth
12 of history.

13 COMMISSIONER GEESMAN: So, our 1000 or
14 thereabout megawatt addition to the demand
15 forecast based on last summer's experience,
16 something more than just a weather-driven
17 adjustment?

18 MR. GORIN: No, it would take last
19 year's weather and increase the load back to
20 temperatures that were seen in 1998, basically.

21 COMMISSIONER GEESMAN: Okay.

22 CHAIRPERSON PFANNENSTIEL: Any other
23 questions? Commissioners?

24 COMMISSIONER GEESMAN: I think this is
25 quite valuable. And I thank the staff and the

1 Executive Director for providing it to us. I
2 think the prospects that we face this summer,
3 though, are I guess what I'd call enervating
4 because, frankly, I don't think that we had
5 anticipated that the situation would be quite that
6 stark.

7 CHAIRPERSON PFANNENSTIEL: Thank you for
8 doing this.

9 Leg Director report. I see nobody from
10 Leg. Public Adviser's report. Nick.

11 MR. BARTSCH: Madam Chair, Members, Nick
12 Bartsch for Margret Kim. We do not have anything
13 new to report. Thank you.

14 CHAIRPERSON PFANNENSTIEL: Thank you.
15 Public comment. Anybody here wishing to address
16 the Commission?

17 Thank you, we'll be adjourned.

18 (Whereupon, at 11:05 a.m., the business
19 meeting was adjourned.)

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CERTIFICATE OF REPORTER

I, PETER PETTY, an Electronic Reporter,
do hereby certify that I am a disinterested person
herein; that I recorded the foregoing California
Energy Commission Business Meeting; that it was
thereafter transcribed into typewriting.

I further certify that I am not of
counsel or attorney for any of the parties to said
meeting, nor in any way interested in outcome of
said meeting.

IN WITNESS WHEREOF, I have hereunto set
my hand this 18th day of July, 2006.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345